



316 Legislative Building • PO Box 40412 • Olympia WA 98504-0412
E-MAIL: parlette.linda@leg.wa.gov • PHONE: (360)786-7622 • FAX: (360)786-1266

Senate Republican Caucus Chair

Committees: Financial Institutions, Housing and Insurance; Health and Long-Term Care;
Ways and Means; Rules

May 6, 2009

Dear Friends,

As I mentioned last week I am forgoing a printed post-session newsletter this year and instead will be sending you a series of e-mail messages focusing on a variety of big-picture topics from the session. **This first e-mail looks at the operating, transportation and capital budgets.**

State operating budget

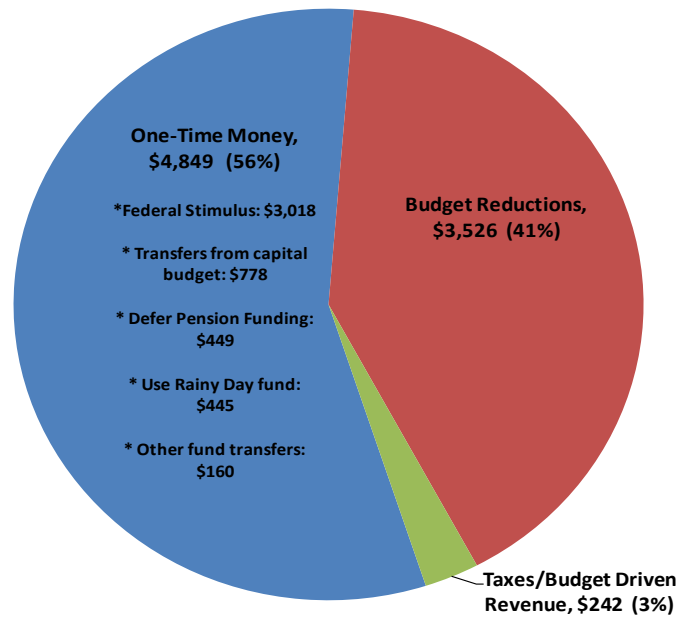
The operating budget is the primary state budget that pays for most services outside of transportation and construction. As I have mentioned to you in the past, the biggest issue before the Legislature this year was finding a way to balance our state budget.

State spending has increased by more than one-third over the past four years, and spending has occurred at 2-1/2 times the rate of revenue coming in to the state.

The 2009-11 budget passed this year did “balance” but it was heavily dependent on one-time monies to fund ongoing programs. This means it is very likely the Legislature will be faced with similar, or even bigger, budget challenges when writing the 2011-13 budget and those one-time funds aren’t available.

The chart below illustrates how the operating budget was balanced. Notice that over 56 percent is “one-time monies,” 41 percent is due to budget reductions, and three percent is revenue driven. Bottom line, this budget is not sustainable.

The Operating Budget Solution was Heavily Reliant on One-Time Money
Near General Fund State Dollars in Millions



Here is why this is all important, and how we could have done things differently:

- **Sustainability.** I am very sensitive to the impact the reductions in this budget will have on people in our district, especially schools and local governments. I believe if the Legislature had taken swift action earlier in the session to reduce unsustainable spending we would not have had to make as many reductions in the final budget. Early action to bring spending in line with revenue would have been a very important step toward making this budget and future budgets sustainable.
- **Transparency and teamwork.** There was a vast difference between the way the 2009-11 budget was developed and the way the Legislature created the 2003-05 operating budget, the last time we faced a large deficit. The 2009-11 budget was written behind closed doors between members of the majority party in the House and Senate. A better approach would have been the one taken in 2003, when we solved a \$2.5 billion deficit by working across the aisle to find a philosophical majority.
- **Meaningful government reform.** Just like any family, the state cannot continue to live beyond its means forever. While the 2009-11 operating budget passed this year did “balance,” it kicked the can down the road by depending on \$5 billion in one-time federal funds and money transfers to pay for ongoing programs. The Legislature should create a sustainable budget by taking serious steps to address the fact that state government is spending more than it takes in each year. Two examples include repealing programs that have no consistent revenue streams and reducing mandates that are not funded, which just pushes the buck out to local governments.

State transportation budget

The transportation budget pays for roads, transit and other related projects across our state. I am pleased to report that the transportation budget included funding for many key projects in the 12th District. While the House version of the budget had removed many of them, most were thankfully reinstated in the final version.

The three large George Sellar Bridge projects retained their funding:

- George Sellar Bridge (State Route 285): Additional eastbound lane construction is scheduled to run from May until winter stops the work; it is slated for completion in 2010.
- West end of the George Sellar Bridge (S.R. 285): Intersection improvement project is funded and scheduled for construction in 2011.
- East end of the George Sellar Bridge (State Route 28): Construction is scheduled for 2010.

Funding also remained intact for work at the junction of U.S. Highway 2 and U.S. Highway 97 to Ninth Street (S.R. 28), where stage one and design work is underway. Construction is scheduled for the summers of 2010 and 2011.

In addition to these projects, three additional 12th District projects received funding through the Federal American Recovery and Reinvestment Act:

- \$736,250 for terminal expansion at Pangborn Memorial Airport in Wenatchee; and
- \$1.5 million for a historic pipeline/pedestrian bridge in Wenatchee; and
- US 97/ South of Chelan Falls—add passing lane (on an alternate list).

Two projects were delayed in the transportation budget: a paving project at U.S. 97 and Orondo northward and the SR 28 East access control project.

The transportation budget also took action on a couple of the King County “mega-projects” that have been on the table for some time now:

- **Alaskan Way Viaduct along Seattle’s waterfront.** This year the Legislature passed [Engrossed Substitute Senate Bill 5768](#) that directs the state to replace the Viaduct with a deep-bore tunnel. One key provision in the bill requires that Seattle property owners pay for any cost overruns. The project is expected to cost \$4.3 billion, with the state’s share capped at \$2.4 billion. It allows an additional \$400 million to be financed with tolls.
- **520 floating bridge over Lake Washington.** The Legislature also passed [Engrossed Substitute House Bill 2211](#) allowing for “early tolling” (tolling of the current bridge before a new one is built) on the 520 bridge to raise money to replace the span. The bill allows the state Transportation Commission to choose how much to collect and when to do so. It creates a study group to look at design options for the west and east ends of the bridge and develop a full finance plan for the project, estimated to cost \$4.65 billion.

Writing the transportation budget was made especially challenging by the fact that gas tax revenues are down significantly. All in all, the transportation budget ended up being very helpful to the 12th District.

State capital budget

The state capital budget is used to build, improve and repair public works projects around the state. It is usually noncontroversial and enjoys widespread support across both chambers and both sides of the aisle.

This year, for the first time in recent memory, the capital budget became controversial when budget writers transferred \$777 million from the capital budget into the operating budget to be used for general state expenditures. This included taking \$368 million from the Public Works Trust Fund, which creates jobs and helps cities and counties build infrastructure, and \$194 million from school construction/lottery funds. In doing so, the budget spent bonded dollars that should have been used to maintain critical infrastructure and create jobs on general state programs instead. The capital budget assumed an increase in the state's bonding limit to make up for this loss.

Despite these funds being removed, the capital budget still paid for a number of projects statewide, many of them in the 12th District. Many of these projects were part of state agency budgets or the result of people in our district applying for grant funds for local projects.

12th District Capitol Budget Highlights—2009 Session

Department of Community, Trade, & Economic Development

- Columbia Basin Ground Water Management \$2,500,000
- Small Community Jobs—Assistance for Grand Coulee School \$500,000

Department of Ecology

- Twin Lake Aquifer Recharge Project (Re-appropriation) \$497,000

Public Schools

- North Central Technical Skills Center \$4,007,000

Washington State Historical Society

- Wenatchee Valley Museum & Cultural Center Rehabilitation \$150,000

Recreation and Conservation Office

- Beebe Springs Phase 3 Columbia River Restoration (WWRP) \$250,000
- Colockum Access Improvements (WWRP) \$284,000
- Lower Methow Farmland (WWRP) \$396,000
- Methow Watershed Phase 6 (WWRP) \$3,500,000
- North Douglas County Shrub-Steppe Restoration (WWRP) \$250,000
- Pearrygin Lake Expansion – Phase 1 Dev (WWRP) \$1,000,000

State Parks and Recreation Commission

- Rocky Reach State Park: Trail Development \$168,000
- Rocky Reach PUD: Rocky Reach Trail- Re-appropriation \$500,000
- Pearrygin Lake Upgrade \$460,000

Department of Fish and Wildlife

- Beebe Springs Phase 3 \$2,643,000

- Beebe Springs Natural Area Phase 3 Development (ALEA) \$500,000
- Methow Culvert Replacements (Re-appropriation) \$350,000
- Stemilt Basin Acquisition \$200,000

Community & Technical College System

- Wenatchee Valley College: Acquisition of Music and Art Center \$2,700,000
**Note: this is a finance agreement for up to \$2.7 million*
- Wenatchee Valley College: Music and Arts Center \$2,000,000
**Note: this funding placed in the Community & Technical College System Construction account*

I have voted “no” on the operating budget for many years because of its lack of sustainability, but this was the first time I have voted against a capital budget. I did so because of my concerns over the policy of moving funds from the capital to the operating budget, the negative effect that could have on our state’s long-term debt and bond rating, and the precedent it set in using bonded funds to meet ongoing spending obligations.

In closing...

I hope this overview of the state budgets has been helpful to you. As always, if there is anything I can help you with, please don’t hesitate to contact me. Here is how to reach me:

District office: 625 Okanogan Avenue, Suite 301, Wenatchee, WA 98801, (509) 663-9702.

Olympia office: 316 Legislative Building, PO Box 40412, Olympia, WA 98504-0412, (360) 786-7622.

E-mail: Parlette.Linda@leg.wa.gov

All the best,

Linda

LINDA EVANS PARLETTE

Washington State Senator, 12th District

(360) 786-7622 E-mail: Parlette.Linda@leg.wa.gov

Legislative Toll Free Hotline: 1-800-562-6000

For information about public hearings, proposed new laws, and the progress of bills you are interested in, please visit the Legislature’s Information Web site at www.leg.wa.gov.